

AMENDED IN ASSEMBLY JANUARY 4, 2006

AMENDED IN ASSEMBLY APRIL 7, 2005

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 326

Introduced by Assembly Member Blakeslee

February 10, 2005

An act to amend Sections 270, ~~275, 276, 277, 278, 279, and 280 of,~~
~~and to repeal Section 281 of,~~ and 275 of the Public Utilities Code,
relating to telecommunications.

LEGISLATIVE COUNSEL'S DIGEST

AB 326, as amended, Blakeslee. Telephone corporations: universal service.

Existing law, the federal Telecommunications Act of 1996, establishes a program of cooperative federalism for the regulation of telecommunications to attain the goal of local competition, while implementing specific, predictable, and sufficient federal and state mechanisms to preserve and advance universal service, consistent with certain universal service principles. The act authorizes states to adopt regulations not inconsistent with Federal Communications Commission rules to preserve and advance universal service. The act requires that every telecommunications carrier that provides intrastate telecommunications services contribute, on an equitable and nondiscriminatory basis, in a manner determined by the state, to the preservation and advancement of universal service in that state. The act authorizes each state to adopt regulations to provide for additional definitions and standards to preserve and advance universal service within the state, only to the extent that they adopt additional specific,

predictable, and sufficient mechanisms that do not rely on or burden federal universal service support mechanisms.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including telephone corporations. Existing law authorizes the commission to fix just and reasonable rates and charges. Existing law establishes the California High-Cost Fund-A Administrative Committee Fund, the California High-Cost Fund-B Administrative Committee Fund, the Universal Lifeline Telephone Service Trust Administrative Committee Fund, the Deaf and Disabled Telecommunications Program Administrative Committee Fund, the Payphone Service Providers Committee Fund, and the California Teleconnect Fund Administrative Committee Fund in the State Treasury and requires that the moneys in the funds be expended only to accomplish specified telecommunications universal service programs, upon appropriation. Existing law provides that moneys in the funds are the proceeds of rates and are held in trust for the benefit of ratepayers and to compensate telephone corporations for their costs of providing universal service.

~~This bill would abolish the 6 funds in the State Treasury and would require the commission, until January 1, 2009, to establish a trust account to administer any transfer payments made pursuant to the state's universal service programs and to require that moneys authorized to be collected by the commission to support universal service programs, excluding intracompany transfers, be deposited into the universal service programs trust account. The commission would be required to establish the California High-Cost Fund-A Administrative Committee Subaccount, the California High-Cost Fund-B Administrative Committee Subaccount, the Universal Lifeline Telephone Service Trust Administrative Committee Subaccount, the Deaf and Disabled Telecommunications Program Administrative Committee Subaccount, the Payphone Service Providers Committee Subaccount, and the California Teleconnect Fund Administrative Committee Subaccount within the universal service programs trust account. The bill would require the commission to appoint a 3rd party trustee, subject to confirmation by the Legislature, to administer the universal service programs trust account. The bill would make other conforming changes: prohibit moneys in the universal service program funds from being reallocated within the General Fund for any purpose or to support any program other than as authorized. The bill would declare that any prior diversion, reallocation, or loan of~~

moneys from the funds threatens achievement of federal and state universal service goals and threatens the public health and safety by detrimentally affecting the public switched telephone network, and would require that by March 1, 2007, any prior diversion, reallocation, or loan of moneys in the universal service program funds, with certain exceptions, be repaid to the universal service program fund from which the diversion, reallocation, or loan was made. The bill would make legislative findings and declarations that because maintenance of universal public switched telephone network service throughout the state and maintenance of public safety answering points in high cost areas of the state rely on appropriations from the California High-Cost Fund-A Administrative Committee Fund, maintaining adequate funding levels for the fund is critical to public health and safety.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 270 of the Public Utilities Code, as
2 amended by Section 25 of Chapter 73 of the Statutes of 2005, is
3 amended to read:
4 270. (a) The following funds are hereby created in the State
5 Treasury:
6 (1) The California High-Cost Fund-A Administrative
7 Committee Fund.
8 (2) The California High-Cost Fund-B Administrative
9 Committee Fund.
10 (3) The Universal Lifeline Telephone Service Trust
11 Administrative Committee Fund.
12 (4) The Deaf and Disabled Telecommunications Program
13 Administrative Committee Fund.
14 (5) The Payphone Service Providers Committee Fund.
15 (6) The California Teleconnect Fund Administrative
16 Committee Fund.
17 (b) Moneys in the *universal service program* funds are the
18 proceeds of rates and are held in trust for the benefit of *telephone*
19 *corporation* ratepayers and to compensate telephone corporations
20 for their costs of providing universal service. *Moneys in the funds*
21 *shall not be reallocated within the General Fund for any purpose*

1 *or to support any program other than as authorized within this*
2 *chapter. Moneys in the funds may only be expended pursuant to*
3 *this chapter and upon appropriation in the annual Budget Act or*
4 *upon supplemental appropriation.*

5 (c) Moneys in each fund may not be appropriated, or in any
6 other manner transferred or otherwise diverted, to any other fund
7 or entity, except as provided in Sections 19325 and 19325.1 of
8 the Education Code.

9 ~~(d) This section shall become operative on January 1, 2006.~~
10 *Any prior diversion, reallocation, or loan of moneys from the*
11 *universal service program funds threatens achievement of federal*
12 *and state universal service goals and threatens the public health*
13 *and safety by detrimentally affecting the public switched*
14 *telephone network. Not later than March 1, 2007, any prior*
15 *diversion, reallocation, or loan of moneys in the universal*
16 *service program funds, except as provided in Section 276.5 or*
17 *Sections 19325 and 19325.1 of the Education Code, shall be*
18 *repaid to the universal service program fund from which the*
19 *diversion, reallocation, or loan was made.*

20 SEC. 2. Section 275 of the Public Utilities Code, as amended
21 by Section 1 of Chapter 767 of the Statutes of 2004, is amended
22 to read:

23 275. (a) There is hereby created the California High-Cost
24 Fund-A Administrative Committee, which is an advisory board
25 to advise the commission regarding the development,
26 implementation, and administration of a program to provide for
27 transfer payments to small independent telephone corporations
28 providing local exchange services in high-cost rural and small
29 metropolitan areas in the state to create fair and equitable local
30 rate structures, as provided for in Section 739.3, the development
31 of a grant program for the construction of telecommunications
32 infrastructure as set forth in Section 276.5, and to carry out the
33 program pursuant to the commission's direction, control, and
34 approval.

35 (b) All revenues collected by telephone corporations in rates
36 authorized by the commission to fund the program specified in
37 subdivision (a) shall be submitted to the commission pursuant to
38 a schedule established by the commission. The commission shall
39 transfer the moneys received to the Controller for deposit in the
40 California High-Cost Fund-A Administrative Committee Fund.

1 All interest earned by moneys in the fund shall be deposited in
2 the fund. Any unexpended revenues collected prior to the
3 operative date of this section shall be submitted to the
4 commission, and the commission shall transfer those moneys to
5 the Controller for deposit in the California High-Cost Fund-A
6 Administrative Committee Fund.

7 (c) Moneys appropriated from the California High-Cost
8 Fund-A Administrative Committee Fund to the commission shall
9 be utilized exclusively by the commission for the program
10 specified in subdivision (a), including all costs of the board and
11 the commission associated with the administration and oversight
12 of the program and the fund.

13 ~~(d) This section shall become operative on January 1, 2006.~~
14 *The Legislature finds and declares that because maintenance of*
15 *universal public switched telephone network service throughout*
16 *the state and maintenance of public safety answering points in*
17 *high cost areas of the state rely on appropriations from the*
18 *California High-Cost Fund-A Administrative Committee Fund,*
19 *maintaining adequate funding levels for the fund is critical to*
20 *public health and safety.*

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23 **All matter omitted in this version of the bill**
24 **appears in the bill as amended in Assembly,**
25 **April 7, 2005 (JR11)**
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